

To The Shareholders

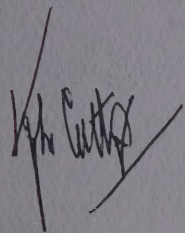
We are pleased to report that your Company continued to show very satisfactory progress during the first six months in 1972. Total deposits reached \$18,917,837 at June 30th, a record level for the Company. Earnings of \$142,965 are far above the levels achieved in any previous first half, although it is important to note that these results are before deductions for income taxes and before year-end adjustments.

The Company would be subject to income taxes in 1972 for the first time. This fact in itself underlines the rapid rise of your Company since May of 1968, when present management assumed control. At that time the Company had an accumulated deficit of \$276,688. This has of course now been eliminated, and the Company now has retained earnings and reserves of \$225,988. Total capital base has increased from \$1,235,812 to \$1,957,500 in this period.

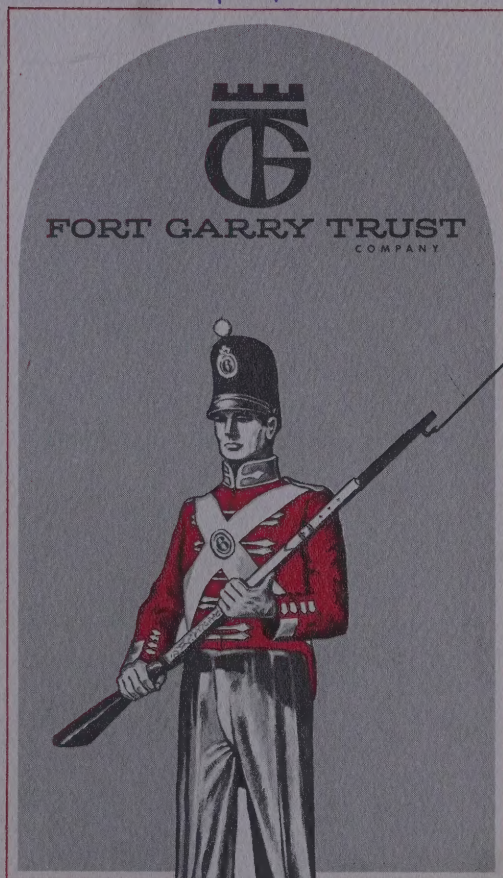
Relatively favourable interest spreads continued to be the principal factor in earnings growth. However, the improvement in relative spreads has now abated, and if interest rates continue to rise, as we expect, these spreads will begin to narrow. Your Company is insulated to some degree against the effects of this, firstly by favourable deposit mix, with a relatively large concentration of lower cost deposits, and secondly by the fact that a very large proportion of its assets are mortgages placed in the last four years, during which time interest rates have been at historical peaks. In the latter respect, of our \$21,200,740 in assets, \$15,651,748 are mortgages, which represents an increase from \$3,854,633 in December, 1967.

Your directors have reviewed the matters of opening a new branch and commencing the payment of dividends. It was decided to defer any action on either of these directions for the present. However, both subjects will again be considered at future directors' meetings.

Looking to the balance of 1972, while the impact of income taxes and a possible narrowing in spreads makes precise forecasting difficult, we are confident of a satisfactory full year for the Company.



K. L. CUTTS
PRESIDENT



Semi-Annual Report to June 30th, 1972

Consolidated Statement of Income for 6 Months Ending

	June 30 1972	June 30 1971
Gross Revenue	\$ 888,731 ✓	\$ 756,766 ✓
Expenses:		
Interest	537,191	558,296
Other	<u>208,575</u>	<u>181,841</u>
Total Expenses	<u>745,766</u>	<u>740,137</u>
Net Profit Before Taxes	<u>142,965</u> ✓	<u>16,629</u> ✓

Consolidated Balance Sheet

	As At June 30/72	As At June 30/71
Assets		
Cash and short term deposits	1,037,693	712,771
Mortgage and other Loans	16,117,067 ✓	12,653,034 ✓
Bonds	3,194,417	4,177,408
Stocks	329,868	399,933
Other	<u>521,695</u>	<u>486,041</u>
Total Assets	<u>21,200,740</u>	<u>18,429,187</u>

Liabilities and Shareholders Equity

Liabilities		
Demand Deposits	7,718,843	7,262,324
Term Deposits	<u>11,198,994</u>	<u>9,280,374</u>
Total Deposits	18,917,837 ✓	16,542,698 ✓
Accounts Payable	<u>99,415</u>	<u>47,597</u>
Total Liabilities	<u>19,017,252</u>	<u>16,590,295</u>
Shareholders Equity		
Capital Stock:		
Issued and Fully paid — 195,750 shares	1,957,500	1,957,500
Mortgage and investment reserves	30,000	30,000
Retained earnings	<u>195,988</u>	<u>(118,608)</u>
Total Shareholders Equity	<u>2,183,488</u>	<u>1,838,892</u>
Total Liabilities and Shareholders Equity	<u>\$21,200,740</u>	<u>\$18,429,187</u>